

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:	§	Chapter 11
	§	
W.R. GRACE & CO., <i>et al.</i>,	§	Jointly Administered
	§	Case No. 01-01139 (JKF)
Debtors.	§	
	§	

**FEE AUDITOR'S FINAL REPORT REGARDING THIRTEENTH¹
APPLICATION OF DELOITTE TAX LLP FOR THE PERIOD
OF OCTOBER 1, 2011, THROUGH SEPTEMBER 30, 2012**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Thirteenth Application of Deloitte Tax LLP for the Period of October 1, 2011, through September 30, 2012 (the “Application”).

BACKGROUND

1. Deloitte Tax LLP (“Deloitte Tax”) was retained to provide tax services to the Debtors and Debtors-in-Possession. In the Application, Deloitte Tax seeks approval of fees totaling \$46,304.00 and expenses totaling \$104.30 for its services from October 1, 2011, through September 30, 2012 (the “Application Period”).

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of

¹Although this is the Thirteenth Application which Deloitte Tax has filed in the case, the Application encompasses the Forty-Third through the Forty-Sixth Interim Fee Periods.

Delaware, Amended Effective February 1, 2013, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330, Issued January 30, 1996 (the "U.S. Trustee Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on Deloitte Tax based upon our review, and we received a response from Deloitte Tax, portions of which response are quoted herein.

DISCUSSION

3. We noted that Deloitte Tax's August and September 2012 monthly fee applications mentioned a \$14,000 cap in place for the China Stock Plan Registration Project, pursuant to which Deloitte Tax took agreed discounts of \$3,057.00 on its August 2012 fees and \$3,540.00 on its September 2012 fees. However, we noted that these discounts were not reflected in Deloitte Tax's interim fee request of \$46,304.00. We asked Deloitte Tax about these discounts, and Deloitte Tax responded:

Paragraph 3 of the Report references certain discounts totaling \$6,597.00 in the fees charged to Debtors and Debtors-in-Possession in the monthly fee statements of Deloitte Tax for the months of August and September of 2012 (the "Fee Discount"). The Report notes that the total compensation amount for which approval is being sought pursuant to the Application (the "Total Compensation Amount") did not reflect the Fee Discount. The Fee Discount was taken as a result of an informal agreement between Deloitte Tax and Debtors and Debtors-in-Possession, and was inadvertently not reflected as a reduction of the Total Compensation Amount.

We appreciate Deloitte Tax's response and, concurring with same, recommend a reduction of \$6,597.00 in fees.

4. We noted that timekeepers Maria D. Otero (\$350), Xiao Wu Tian (\$290), and Sonia Iris Morales (\$150) billed 2.8 hours for \$786.00 in fees working on Deloitte Tax's engagement

letters:

4/27/2012	Morales, Sonia Iris	Puerto Rico Tax Compliance	revise 2011 Engagement Letter	0.4	\$150	\$60.00
4/30/2012	Morales, Sonia Iris	Puerto Rico Tax Compliance	Finalize and issue 2011 Engagement Letter to client	0.3	\$150	\$45.00
4/26/2012	Otero, Maria D	Puerto Rico Tax Compliance	Prepare and follow up for LCSP approval and engagement letter	0.7	\$350	\$245.00
4/27/2012	Otero, Maria D	Puerto Rico Tax Compliance	Update and revise Engagement Letter as requested by client	0.5	\$350	\$175.00
6/6/2012	Tian, Xiao Wu	China Stock Plan Registration	Conference call regarding WR Grace engagement letter and billing structures and risks. Prepared billing structure and provided summary and flow chart. Email correspondence to China team to update the engagement details.	0.9	\$290	\$261.00
				2.8		\$786.00

It appears to us that time spent on an engagement letter is an administrative task which Deloitte Tax would be required to perform in order to work for any client, regardless of whether the client is in bankruptcy, and that the time spent on these tasks is, therefore, overhead. We asked Deloitte Tax to explain why the estate should compensate these fees, and Deloitte Tax responded: "Deloitte Tax agrees to waive its request for the approval of these fees, and agrees to a corresponding reduction in the Total Compensation Amount." We appreciate Deloitte Tax's response and, consistent with same, recommend a reduction of \$786.00 in fees.

CONCLUSION

5. Thus, we recommend approval of \$38,921.00 in fees (\$46,304.00 minus \$7,383.00) and \$104.30 in expenses for Deloitte Tax's service for the Application Period.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 6th day of March, 2013.


Warren H. Smith

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